PETRONAS CHEMICALS GROUP BERHAD
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

The Board of Directors of PETRONAS Chemicals Group Berhad ("PCG" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 June 2014 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Individual quarter ended 30 June		Cumulative quarter ended 30 June	
In RM Mil	**Note**	**2014**	**2013**	**2014**	**2013**
Revenue		3,341	3,872	7,147	8,327
Cost of goods sold		(2,447)	(2,342)	(4,999)	(5,013)
Gross profit		894	1,530	2,148	3,314
Selling and distribution expenses		(149)	(153)	(293)	(330)
Administration expenses		(137)	(111)	(278)	(212)
Other expenses		(8)	(24)	(53)	(55)
Other income		148	132	271	247
Operating profit	B5	748	1,374	1,795	2,964
Financing costs		(4)	-	(8)	-
Share of profit of equity accounted joint ventures and associates, net of tax		38	12	87	73
Profit before taxation		782	1,386	1,874	3,037
Tax expense	B6	(197)	(327)	(450)	(742)
PROFIT FOR THE PERIOD		585	1,059	1,424	2,295
Other comprehensive (expenses)/ income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1)	2	(2)	1
Share of other comprehensive (expenses)/ income of equity accounted joint ventures and associates		(10)	7	(16)	17
		(11)	9	(18)	18
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		574	1,068	1,406	2,313

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

In RM Mil	Note	Individual quarter ended 30 June 2014	Individual quarter ended 30 June 2013	Cumulative quarter ended 30 June 2014	Cumulative quarter ended 30 June 2013
Profit attributable to:					
Shareholders of the Company		555	958	1,304	2,063
Non-controlling interests		30	101	120	232
PROFIT FOR THE PERIOD		585	1,059	1,424	2,295
Total comprehensive income attributable to:					
Shareholders of the Company		544	967	1,286	2,081
Non-controlling interests		30	101	120	232
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		574	1,068	1,406	2,313
Basic earnings per share attributable to shareholders of the Company					
Based on ordinary shares issued (sen)	B18	7	12	16	26

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 30 June 2014	As at 31 December 2013
ASSETS			
Property, plant and equipment		13,268	13,245
Investments in joint ventures and associates		773	744
Intangible assets		8	10
Long term receivables		10	13
Deferred tax assets		428	458
TOTAL NON-CURRENT ASSETS		14,487	14,470
Trade and other inventories		1,222	1,203
Trade and other receivables		1,524	1,610
Current tax assets		177	155
Cash and cash equivalents		10,087	10,155
		13,010	13,123
Assets classified as held for sale		-	138
TOTAL CURRENT ASSETS		13,010	13,261
TOTAL ASSETS		27,497	27,731
EQUITY			
Share capital		800	800
Reserves		21,271	20,936
Total equity attributable to shareholders of the Company		22,071	21,736
Non-controlling interests		1,718	1,653
TOTAL EQUITY		23,789	23,389
LIABILITIES			
Deferred tax liabilities		921	933
Other long term liabilities and provisions		479	543
TOTAL NON-CURRENT LIABILITIES		1,400	1,476
Trade and other payables		2,053	2,678
Borrowings	B11	30	-
Current tax payables		225	146
		2,308	2,824
Liabilities classified as held for sale		-	42
TOTAL CURRENT LIABILITIES		2,308	2,866
TOTAL LIABILITIES		3,708	4,342
TOTAL EQUITY AND LIABILITIES		27,497	27,731

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company								
	Non-Distributable					*Distributable*			
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Balance at 1 January 2013	800	8,071	1	(204)	95	11,548	20,311	1,595	21,906
Foreign currency translation differences for foreign operations	-	-	1	-	-	-	1	-	1
Share of other comprehensive income of equity accounted joint ventures and associates	-	-	-	-	17	-	17	-	17
Total other comprehensive income for the period	-	-	1	-	17	-	18	-	18
Profit for the period	-	-	-	-	-	2,063	2,063	232	2,295
Total comprehensive income for the period	-	-	1	-	17	2,063	2,081	232	2,313
Dividends to shareholders of the Company	-	-	-	-	-	(1,120)	(1,120)	-	(1,120)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(121)	(121)
Others	-	-	-	-	-	-	-	1	1
Total transactions with shareholders of the Company	-	-	-	-	-	(1,120)	(1,120)	(120)	(1,240)
Balance at 30 June 2013	800	8,071	2	(204)	112	12,491	21,272	1,707	22,979

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to Shareholders of the Company								
	Non-Distributable					*Distributable*			
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Balance at 1 January 2014	800	8,071	4	(204)	131	12,934	21,736	1,653	23,389
Foreign currency translation differences for foreign operations	-	-	(2)	-	-	-	(2)	-	(2)
Share of other comprehensive expense of equity accounted joint ventures and associates	-	-	-	-	(16)	-	(16)	-	(16)
Total other comprehensive expense for the period	-	-	(2)	-	(16)	-	(18)	-	(18)
Profit for the period	-	-	-	-	-	1,304	1,304	120	1,424
Total comprehensive income for the period	-	-	(2)	-	(16)	1,304	1,286	120	1,406
Dividends to shareholders of the Company	-	-	-	-	-	(960)	(960)	-	(960)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(54)	(54)
Others	-	-	(1)	-	(34)	44	9	(1)	8
Total transactions with shareholders of the Company	-	-	(1)	-	(34)	(916)	(951)	(55)	(1,006)
Balance at 30 June 2014	**800**	**8,071**	**1**	**(204)**	**81**	**13,322**	**22,071**	**1,718**	**23,789**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	Cumulative quarter ended 30 June 2014	2013
Cash receipts from customers	7,352	8,663
Cash paid to suppliers and employees	(4,914)	(5,542)
	2,438	3,121
Interest income received	152	162
Taxation paid	(362)	(461)
Cash flows generated from operating activities	2,228	2,822
Dividends received from equity accounted joint ventures and associates	44	147
Purchase of property, plant and equipment	(1,325)	(498)
Proceeds from disposal of property, plant and equipment:	4	-
Proceeds from finance lease receivables	3	6
Cash flows used in investing activities	(1,274)	(345)
Dividends paid to:		
- PETRONAS	(618)	(721)
- others (third parties)	(342)	(399)
- non-controlling interests of subsidiaries	(54)	(121)
Drawdown of revolving credit	30	-
Repayment of finance lease liabilities	(34)	(34)
Cash flows used in financing activities	(1,018)	(1,275)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	**Cumulative quarter ended 30 June** 2014	2013
Net (decrease) / increase in cash and cash equivalents	(64)	1,202
Net foreign exchange difference	(4)	25
Cash and cash equivalents at beginning of the period	10,155	9,307
Cash and cash equivalents at end of the period	10,087	10,534

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 2013 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in joint ventures and associates as at and for the quarter ended 30 June 2014.

A2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for 31 December 2013.

As of 1 January 2014, the Group and the Company have adopted the following MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2014.

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10	*Consolidated Financial Statements*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities*
Amendments to MFRS 127	*Consolidated and Separate Financial Statements*
Amendments to MFRS 132	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

A3. AUDIT QUALIFICATION

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2013 were not subject to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by years of tight supply, leading to high capacity utilisation rates and margins, followed by years of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter ended 30 June 2014.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 December 2013 that may have a material effect in the results of the period under review.

A7. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 June 2014.

A8. DIVIDENDS PAID

During the period under review, the Company paid a second interim single tier dividend of 12 sen per ordinary share amounting to RM960 million in respect of the financial year ended 31 December 2013 to shareholders on 18 March 2014.

A9. SEGMENT RESULTS AND REPORTING

- Olefins and Derivatives - activities include the supply and trading, manufacturing, marketing and transportation of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.
- Fertilisers and Methanol - activities include producing and selling methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others - comprises other businesses that support the petrochemicals' business operations and unallocated income and expenses.

9.1 Revenue

	Cumulative quarter ended 30 June					
	External customers		**Inter segment**		**Gross total revenue**	
In RM Mil	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Olefins and Derivatives	5,101	5,936	3	6	5,104	5,942
Fertilisers and Methanol	2,027	2,369	101	116	2,128	2,485
Others	19	22	15	20	34	42
Total	7,147	8,327	119	142	7,266	8,469

9.2 Profit for the period [(1)]

	Cumulative quarter ended 30 June	
In RM Mil	**2014**	**2013**
Olefins and Derivatives	935	1,501
Fertilisers and Methanol	501	740
Others	(12)	54
Total	1,424	2,295

[(1)]Included within profit for the quarter for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM372 million (2013: RM336 million), RM181 million (2013: RM187 million) and RM7 million (2013: RM6 million) respectively.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 June 2014, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2013.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

The changes in the composition of the Group for the current financial period to date are as follows:

i) On 13 March 2014, a wholly-owned subsidiary, PETRONAS Chemicals Marketing Sdn Bhd, incorporated a wholly-owned subsidiary, PCM (Thailand) Company Limited ("PCMT"), in Thailand.

ii) On 11 June 2014, the Group completed the divestment of its entire 93.11% equity interest in Phu My Plastics and Chemical Company Limited ("PMPC"). Upon completion of the divestment, PMPC ceased to be a subsidiary of PCG and its results are no longer consolidated.

A13. SIGNIFICANT EVENT

Effective 25 June 2014, the Group's wholly owned subsidiary, PETRONAS Chemicals Fertiliser Sabah Sdn Bhd ("PCFSSB") has converted the Basic and Detailed Engineering, Procurement, Construction and Commissioning (BEPCC) contract for the SAMUR Project from an Alliance contract to a Lump Sum contract under a new agreement with the same contracting parties which brings the revised project total cost to USD1.9 billion.

The conversion will enhance the Group's control over SAMUR Project's cost and schedule in ensuring the delivery of the project, including managing the delay arising from fire on-board contractor's vessel in December 2013.

A14. CAPITAL COMMITMENTS

Capital expenditures which have not been provided for at the end of each reporting period are as follows:

In RM Mil	As at 30 June 2014	As at 31 December 2013
Property, plant and equipment:		
Approved and contracted for	3,195	1,540
Approved but not contracted for	953	1,741
	4,148	3,281

Included in the above is an amount of RM2,991 million (2013: RM2,021 million) relating to the development of a new world scale fertiliser plant in Sipitang, Sabah (referred to as the “SAMUR” project).

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PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE

(a) Performance of the current quarter against the corresponding quarter

	Quarter ended 30 June					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	3,341	3,872	2,246	2,778	1,123	1,142
Profit	585	1,059	346	679	258	347
EBITDA[(1)]	956	1,552	595	1,005	405	550

During the quarter, the Group undertook heavy maintenance which included several statutory turnarounds at a few of its plants whereas there was only one statutory turnaround conducted in the corresponding quarter. As a result, Group plant utilisation was at 76% compared to 83% in the corresponding quarter. Consequently, both production and sales volumes were lower.

Excluding the statutory turnaround and planned maintenance activities, the Group's plant utilisation would be better relative to corresponding quarter.

Average realised product prices were lower as a result of lower average prices in Fertilisers and Methanol segment whilst the average realised prices for the Olefins and Derivatives segment is comparable.

The Group recorded revenue of RM3.3 billion, lower by 14% or RM531 million compared to the corresponding quarter as a result of lower prices and volumes.

Group profit for the quarter declined by 45% or RM474 million to RM585 million following lower volumes, particularly ethane based products, and more challenging market conditions as reflected in narrowing products spreads in Olefins and Derivatives products as well as lower prices for Fertilisers and Methanol. Similarly, EBITDA declined by 38% or RM596 million to RM956 million.

(1) EBITDA refers to earnings before interest, taxation, depreciation and amortisation, Share of profit after tax and non-controlling interests of equity accounted joint ventures and associates and other exceptional items.

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(a) Performance of the current quarter against the corresponding quarter (continued)

Olefins and Derivatives

During the quarter, the segment undertook statutory turnaround at its second smaller cracker, its related downstream facility and MTBE plant as well as a planned maintenance activity at its aromatics plant, compared to only one statutory turnaround in the corresponding quarter at its propylene plant. Consequently, the segment's plant utilisation was 65% compared to 87% in the corresponding quarter, leading to lower production and sales volumes.

Olefins and derivatives market prices were mixed. Polymer prices firmed as a result of higher ethylene prices following tight supply availability. In contrast, derivatives prices softened due to weaker market demand whilst aromatics price was affected by both weaker market demand and an excess supply situation. Overall, the average realised prices were comparable.

As a result of lower sales volumes, revenue for the segment declined by 19% or RM532 million at RM2.2 billion. Profit for the quarter reduced by 49% or RM333 million to RM346 million due to lower volumes, particularly ethane based products, and more challenging market conditions as reflected in weaker products spreads. Similarly, EBITDA was lower by 41% or RM410 million to RM595 million.

Fertilisers and Methanol

Operationally, the segment recorded better plant utilisation at 85% compared to 80% in the corresponding quarter as a result of improved plant reliability and gas supply availability for the Group's methanol facilities. Correspondingly, production and sales volumes were also higher.

The fertilisers market was weaker compared to the corresponding quarter. Urea and ammonia prices declined as a result of higher availability of supply. Methanol price declined with the resumption of production at key regional producers.

Consequently, revenue for the segment decreased by 2% or RM19 million to RM1.1 billion, as a result of weaker prices in line with the market which negated the higher volumes achieved. Profit declined by 26% or RM89 million to RM258 million whilst EBITDA was also lower by 26% or RM145 million at RM405 million.

(b) Performance of the current period against the corresponding period

	Cumulative quarter ended 30 June					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	7,147	8,327	5,104	5,942	2,128	2,485
Profit	1,424	2,295	935	1,501	501	740
EBITDA[1]	2,203	3,332	1,473	2,199	805	1,149

Production for the period reflected higher level of plant planned maintenance activities including statutory turnarounds at several facilities, particularly in the second quarter. Group plant utilisation was at 78% compared to 88%, where there were four statutory turnarounds and one planned maintenance during the period compared to only one statutory turnaround in the corresponding period.

Excluding the statutory turnaround and planned maintenance activities, the Group's plant utilisation would be better relative to corresponding period.

Average realised product prices were lower as a result of lower average realised prices in the Fertilisers and Methanol segment whilst the average realised prices for the Olefins and Derivatives segment is slightly higher.

Consequently, Group revenue was lower by 14% or RM1.2 billion at RM7.1 billion due to lower volumes and prices.

Profit for the period decreased by 38% or RM871 million at RM1.4 billion in line with lower sales volumes, and tighter products spreads for Olefins and Derivatives products as well as lower prices for Fertilisers and Methanol in line with the weaker market conditions. EBITDA also decreased by 34% or RM1.1 billion at RM2.2 billion.

[1] *EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted investees and other exceptional items.*

B1. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of the current period against the corresponding period (continued)

Olefins and Derivatives

Operational performance for the segment reflected the heavier statutory turnarounds and planned maintenance activities, with plant utilisation of 81% compared to 93%, in line with three statutory turnarounds and one planned maintenance activities in the current period, compared to only one statutory turnaround in the corresponding period.

Market conditions for Olefins and Derivatives were mixed. Prices for derivatives and aromatics products weakened on the back of softening market conditions. This follows weaker economic conditions in key markets coupled with excess supply for aromatics. In contrast, polymer prices increased in tandem with stronger ethylene prices following tight supply situation.

As a result of lower volumes, the segment registered lower revenue by 14% or RM838 million at RM5.1 billion. Profit for the period declined by 38% or RM566 million at RM935 million and EBITDA decreased by 33% or RM726 million to RM1.5 billion, following lower volumes and weaker spreads in line with softer market conditions.

Fertilisers and Methanol

Operational performance for the segment was affected by the first quarter performance following statutory turnaround at the urea plant in Bintulu, as well as feedstock availability in the earlier part of first quarter at the methanol plant. Despite the first quarter performance, the segment plant utilisation was at 76% compared to 84% in the corresponding period, cushioned by the better plant utilisation rate in second quarter, following improved plant reliability and gas supply availability at the Group's methanol facilities.

Compared to the corresponding period, urea prices declined mainly as a result of additional supply from China in the market due to more competitive export tax structure. In contrast, methanol prices increased attributable to tight supply conditions in the first quarter.

With softer prices for fertilisers and lower volumes, revenue for the segment decreased by 14% or RM358 million to RM2.1 billion. Consequently, profits declined by 32% or RM239 million at RM501 million. EBITDA decreased by 30% or RM344 million to RM805 million.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

Plant utilisation decreased from 80% to 76% mainly contributed by three statutory turnarounds and planned maintenance activities compared to only one statutory turnaround in the preceding quarter. Despite the lower plant utilisation, sales volumes were higher by 8% as a result of higher third party product purchases and sales from inventory.

The Group registered lower revenue by 12% or RM465 million at RM3.3 billion compared to the preceding quarter due to lower prices as market continue to remain challenging for derivatives and aromatics, and improved supply for methanol, which offset higher sales volume achieved.

Profit for the quarter declined by 30% or RM254 million to RM585 million, as a result of thinner products spreads for Olefins and Derivatives segment and lower Fertilisers and Methanol prices following weaker market conditions. Similarly, EBITDA decreased by 23% or RM291 million to RM956 million.

B3. COMMENTARY ON PROSPECTS

The results of the Group’s operations are expected to be primarily influenced by fluctuations in international petrochemical products prices, global economic conditions and utilisation rate of our production facilities.

The utilisation of our production facilities is dependent on plant maintenance activities, sufficient availability of feedstock and utilities supply. With improved plant maintenance programme and supplier relationship management, the Group expects to achieve better plant utilisation for the year.

a) Olefins and Derivatives

The Group anticipates the market to remain challenging with most products prices expected to be lower in the second half of 2014, potentially resulting in products spreads tightening further.

b) Fertilisers and Methanol

Price for urea is expected to continue to be on a downward trend for the year especially with the opening of low China tax export window. On the other hand, methanol price is expected to stabilise although it will be susceptible to supply availability in the market.

The Group will be undertaking statutory turnaround maintenance activities at its smaller methanol facility during the year which would mark the end of the heavy statutory turnaround cycle for the Group which started since third quarter of 2013.

Whilst feedstock supply has continued to improve with the addition of a new field in the first quarter of 2014, the Group expects feedstock supply reliability to remain challenging as a result of emerging issues at feedstock supplier facilities until the first quarter of 2016 when sources of supply from other new fields are expected to be available via a new pipeline.

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PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group does not publish any profit forecast.

B5. OPERATING PROFIT

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
In RM Mil	**2014**	**2013**	**2014**	**2013**
Included in operating profit are the following charges:				
Interest expense	4	-	8	-
Depreciation and amortisation	285	263	560	529
Impairment losses on trade receivables	-	-	-	1
Loss on foreign exchange	19	17	51	43
Derivative loss	8	5	-	10
***and credits*:**				
Interest income	73	85	148	161
Other income	41	4	53	5
Gain on foreign exchange	49	43	61	77
Derivative gain	-	-	9	4

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B6. TAX EXPENSE

In RM Mil	Individual quarter ended 30 June 2014	Individual quarter ended 30 June 2013	Cumulative quarter ended 30 June 2014	Cumulative quarter ended 30 June 2013
Current tax expenses				
- Current period tax	192	283	433	609
- Over provision in respect of prior periods	-	-	(1)	-
	192	283	432	609
Deferred tax expenses				
- Origination of temporary differences	4	41	16	126
- Under provision in respect of prior periods	1	3	2	7
	5	44	18	133
	197	327	450	742

The Group's effective tax rates for the period ended 30 June 2014 and period ended 30 June 2013 are 24.0% and 24.4% respectively.

B7. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

There were no material disposals of unquoted investments or properties by the Group for the current quarter.

B8. QUOTED SECURITIES

There were no material dealings in quoted securities during the period under review.

B9. STATUS OF CORPORATE PROPOSALS

There was no new corporate proposal during the quarter under review since the last audited financial statements of 31 December 2013.

B10. UTILISATION OF PROCEEDS

The status of the utilisation of listing proceeds of RM3,640 million raised from the Public Issue as at date of this report is as follows:

	Proposed utilisation RM Mil	Actual utilisation RM Mil	Transfer RM Mil	Balance at 30 June 2014 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic growth acquisitions	2,344	(2,710)	1,221	855	Within 5 years
Working capital requirement and general corporate purposes	1,200	-	(1,200)*	-	Within 2 years
Estimated listing expenses	96	(75)	(21)*	-	Within 1 year
Total	3,640	(2,785)	-	855	

* The unutilised balance for working capital requirement of RM1,200 million and listing expenses of RM21 million have been reallocated towards business expansion and synergistic growth acquisitions.

B11. BORROWINGS

The details of the Group borrowings as at 30 June 2014 are as follows:

In RM Mil	Quarter ended 30 June 2014	Quarter ended 30 June 2013
Current		
Unsecured		
Revolving credit	30	-
Total	30	-

B12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any material derivative financial instruments as at the date of this report.

B13. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group does not have any financial liabilities that are measured at fair value (other than derivative financial instruments) for the quarter ended 30 June 2014.

B14. DISCLOSURE OF REALISED AND UNREALISED PROFIT

This information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirement,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia.

The Group's balance of realised and unrealised retained profits as at 30 June 2014 is disclosed as follows:

In RM Mil	**As at 30 June 2014**	**As at 31 December 2013**
Total retained profits of the Group:		
Realised	16,699	16,218
Unrealised	(462)	(431)
	16,237	15,787
Total share of retained profits from joint ventures and associates:		
Realised	420	375
Unrealised	(39)	(38)
	381	337
Total realised and unrealised	16,618	16,124
Less: Consolidation adjustments	(3,296)	(3,190)
Total group retained profits as per consolidated account	13,322	12,934

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments as at the date of this report.

B16. MATERIAL LITIGATION

There is no pending material litigation since the last audited financial statements of PCG and its subsidiaries for the year ended 31 December 2013.

B17. DIVIDENDS

The Directors of the Company has declared an interim single tier dividend of 8 sen per ordinary share, amounting to RM640 million to shareholders in respect of the financial year ending 31 December 2014 (2013 : first interim dividend for the year ended 31 December 2013 of 8 sen per share, amounting to RM 640 million).

The dividends are payable on 12 September 2014 to depositors registered in the Records of Depositors at the close of business on 26 August 2014.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 26 August 2014 in respect of ordinary transfers.

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2014

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B18. BASIC EARNINGS PER SHARE

In RM Mil	Individual quarter ended 30 June 2014	Individual quarter ended 30 June 2013	Cumulative quarter ended 30 June 2014	Cumulative quarter ended 30 June 2013
Profit for the period attributable to shareholders of the Company	555	958	1,304	2,063
Earnings per share attributable to shareholders of the Company:				
In millions of shares				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
Basic earnings per share (sen)	7	12	16	26

As at the date of the statement of financial position, the Company does not have any instruments which may have a dilutive impact on the basic earnings per share.

By order of the Board
Syed Marzidy Syed Marzuki (MACS 01703)
Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
11 August 2014